

STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE
TENNESSEE BOARD OF ACCOUNTANCY

500 James Robertson Parkway
Davy Crockett Tower
Nashville, TN 37243-1141
615-741-2550 or 888-453-6150

Program Website: <https://www.tn.gov/commerce/section/accountancy>

A meeting of the Tennessee State Board of Accountancy was held on Monday, May 7, 2019 at Davy Crockett Tower, 500 James Robertson Parkway in Conference Room 1A

MEMBERS PRESENT

Casey Stuart, Chair
Gay Moon, Secretary
Andy Bonner
Janet Booker-Davis
Pamela Church
Larry Elmore
Kevin Monroe
Gabe Roberts
Trey Watkins
Judy Wetherbee

LEGAL COUNSEL

Maria Bush, Assistant General Counsel, Regulatory Boards
Stuart Huffman, Assistant General Counsel, Regulatory Boards

STAFF

Wendy Garvin, Executive Director
Shari Waugh, Investigator
Karen Condon, Board Staff
Chris Russell, Legal Staff

MEMBERS ABSENT

Stephen Eldridge, Vice-Chair

OTHERS PRESENT

Brad Floyd, TSCPA

CALL TO ORDER – Casey Stuart, Chair

The meeting was called to order at 8:30 am.

Public Disclaimer and Roll-call

The meeting was properly noticed on the Board's website. Members made their presence known by roll call and a quorum was established. Mr. Roberts had not yet arrived and was expected to join the meeting shortly.

Announcements

Officer elections will be held at the July, 2019 meeting. Four Board positions are due to be filled and the Chair wished to delay elections until appointments have been made.

Members were reminded to speak into the microphones for proper recording.

Review and Adopt Agenda

No additions or deletions to the agenda were offered.

Motion and second to approve the meeting agenda as presented. Motion unanimously passed.

APPROVAL OF MEETING MINUTES

Motion and second to approve the minutes of the January 29, 2019 regular meeting as presented. Motion unanimously passed.

DIRECTOR'S REPORT – Wendy Garvin, Executive Director

Director Garvin presented her report to the Board (attachment A).

Members were reminded that the October 2019 meeting, approved at a prior meeting, will take place on a Thursday due to scheduling restraints. Mr. Roberts arrived 8:38.

Discussion included:

- Dr. Church is attending her first NASBA meeting. Mr. Stuart expressed his appreciation for her participation, as he has found the meetings to be informative and valuable to Board members.
- Credits earned through TSCPA on January 1, 2019 and after will be automatically populated in the new CPE Audit Tool.
- The possibility of making use of the audit tool mandatory, whether for the full license population or those selected for audit, may be considered after gathering feedback from users.
- With a 29% fail rate for the 10% of licenses audited in 2018, the Board should take steps to increase compliance. The new requirement for CPE reporting during license renewal should help accomplish this goal.
- Director Garvin will provide results of the 2019 audit at the July meeting.

Motion and second to approve the proposed meeting date of July 28, 2020. Motion unanimously passed.

NASBA UPDATES

Members informed the Board of recent activities within NASBA Boards and Committees.

NASBA Board of Directors | Mr. Bonner
Finance and Administration Committee | Ms. Wetherbee
Examination Review Board | Ms. Booker-Davis
Audit Committee | Mr. Elmore
Computer-Based Testing (CBT) Administration Committee | Dr. Church
Compliance Assurance Committee | Director Garvin

BOARD COMMITTEE REPORTS

Licensing – Larry Elmore

Consider Accounting Ethics Course for Accounting Credit

Belmont University has asked the Board to accept the course *ACC 6200 Leadership and Ethics in the Profession* as acceptable for the “accounting education” requirement.

Motion and second to approve the course. Motion unanimously passed.

Enforcement – Gabe Roberts

An updated Legal Report (attachment B) was distributed to the Board, with a correction to a typographical error in item 21.

Motion and second to adopt the recommendation for items 1-18. Motion unanimously passed.

Motion and second to adopt the recommendation for item 19. Motion unanimously passed with Mr. Monroe recused

Motion and second to adopt the recommendation for items 20-21. Motion unanimously passed.

Item 22 involved the use of the CPA designation in TN by an individual licensed in another state but residing and working in Tennessee. The individual is in the real estate business and not performing accounting services. Ms. Wetherbee stated her intention to address the matter of the Rules regarding this issue later in the meeting.

Motion and second to adopt the recommendation for closure of item 22. Motion unanimously passed.

Law and Rules – Gay Moon

Update on Pending CPE Rule

The Rule has been approved by the Attorney General's office, and is now awaiting consideration by the Governor's office. A temporary hold has been placed on approvals due to the change in government administration, and the Board expects to learn more in July.

Continuous Testing Rule

The Board was presented with proposed changes to Rule 0020-01-.06 (attachment C). Ms. Bush read into the record the regulatory flexibility addendum related to the rule change.

Motion and second to approve the proposed rules as presented. Motion unanimously passed by roll call vote.

Motion and second to approve the economic impact statement included with the rule change. Motion unanimously passed by roll call vote.

Motion and second to approve the regulatory flexibility addendum as read by counsel. Motion unanimously passed by roll call vote.

Proposed UAA Model Rules Article 7 – Peer Review

This matter is with Legal for review and comments.

Executive – Casey Stuart

The Committee reviewed FY19 YTD Financial Results and Travel information.

NASBA Request to use Licensee Data

NASBA has requested to use licensee data to build a list of licensees who have been licensed for 3-10 years. The list will be used to solicit input via a qualifying survey as part of the 2019 Practice Analysis. In its entirety, the practice analysis is used to determine what skills and knowledge a candidate must

demonstrate (by passing the Uniform CPA Examination) prior to licensure as a CPA by a Board of Accountancy.

Motion and second to approve the request and to authorize Director Garvin to sign the approval document. Legal will also work to amend the current contract with NASBA to allow for future approvals without the need to add addendums to the contract each time there is a similar request. Motion unanimously passed.

LEGISLATIVE UPDATE – Maria Bush

Ms. Bush reported no legislative updates, but informed the Board that the Right to Earn a Living act was taken off notice for this session.

OLD BUSINESS

No old business was reported.

NEW BUSINESS

CPE Audit Tool

The topic was discussed earlier in the meeting during the Executive Director's report. Mr. Bonner reported that he has registered an account and loaded credits. He felt the tool was easy to use and convenient for licensees.

Discussion included:

- the possibility of requiring licensees to utilize the tool for CPE tracking and audit purposes
- possible future consideration involving determining who should be subject to the requirement (full population, those under audit, etc.)
- the ability of the tool to list each state's requirements, and compare credits to specific requirements

Ms. Wetherbee recommended that the Law and Rules Committee and Director Garvin work with the Legal Department to tighten the language regarding the use of the CPA designation when the licensee is not providing accounting or attest work in their place of business.

Discussion included:

- A statement of the designation implies expertise. If someone is holding out as a CPA in Tennessee, the Board should look at the need to require a reciprocal license.
- The need to research the requirements of other states and what this Board would like to accomplish
- The need for a broader conversation about the issue in the current legal environment
- Director Garvin will bring to the Board information regarding what legally seems achievable and questions in the form of hypotheticals.

Mr. Roberts announced that this meeting will be his last, as his new role in the administration has placed constraints on his availability for the meetings. He expressed his appreciation for present and former members with whom he has worked, and commended the Board and Director Garvin's leadership.

Director Garvin informed that Board that their decision regarding the proposed changes to Rule 0020-01-.06 requires a roll call vote. The Board clarified the previous vote regarding the proposed rule by roll call.

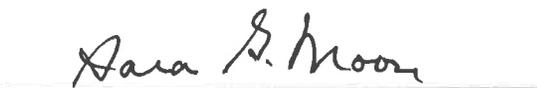
Mr. Stuart's third appointed term with the Board will expire on June 30, 2019, making this meeting his last. Members commended Mr. Stuart for his balanced and thoughtful approach in Board considerations, his courtesy and wisdom, and the tremendous contributions he has made to the Board and the profession. Director Garvin presented to Mr. Stuart an award commemorating his service to the Board.

ADJOURN

The meeting was adjourned at 10:18 am.



Chair



Secretary

Attachment A

EXECUTIVE DIRECTOR'S REPORT

May 7, 2019

Future Meeting Dates

Tuesday July 30, 2019
Thursday Oct 24, 2019
Tuesday Jan 28, 2020
Tuesday May 5, 2020
Tuesday July 28, 2020 - Proposed

NASBA Meetings

NASBA ED & Legal Conference

Shari Waugh, Maria Bush, Stuart Huffman and I attended NASBA's 37th Annual ED & Legal Conference in San Antonio, TX from March 26-29, 2019. Chief executives from several state societies joined us for the first half of the meeting. Topics included Peer Review, CPA Exam updates, CPE Audit Tracking Tool, Legislative Updates, Legal Case Developments, Prometric & Exam Security, Accountancy Stakeholders Workgroup, Ethics, Testing Accommodations, Transcript Evaluations and Cyber Security.

Upcoming NASBA Meetings

Eastern Regional June 11-13, 2019 – Washington, DC

➤ Board members Bonner, Booker-Davis, Church & Elmore are planning to attend Western Regional – June 18-20, 2019 – Salt Lake City, UT
112th Annual Meeting – Oct 27-30, 2019 – Boston, MA

Exam Fees

2019, 2020 and 2021 candidate fees for the CPA Exam are outlined in Attachment 1. These fees will be effective in TN for any ATT (Authorization to Test) submitted on or after Oct 19, 2019. This is a cost of living adjustment year for Prometric and represents a \$1.59 increase per test section. No increases are planned by NASBA or the AICPA.

Exam – Elijah Watts Sells Award

On April 11, 2019 the AICPA announced the winners of the 2018 Elijah Watts Sells Award. The Award is given to CPA candidates who have obtained a cumulative average score above 95.50 across all four sections of the Uniform CPA Examination, passed all four sections of the Examination on their first attempt and completed testing in 2018. Nearly 86,000 individuals sat for the CPA Exam in 2018 with 110 candidates meeting the criteria. Tennessee had two (2) winners.

➤ **Katherine Griesemer** (Tennessee), a graduate of Lee University with a BS in Accounting and Finance and is employed with Unity Dance Troupe in Cleveland, Tennessee.

- **Corey Lockridge** (Tennessee), a graduate of Vanderbilt University with a Bachelor of Arts in Mathematics and Economics and a Master of Accountancy, is employed with PwC in Atlanta, GA.

The CPA Evolution Working Group

This group was formed by NASBA and the AICPA in the fall of 2018 to explore possible changes to the CPA licensure model that embrace the need for expanded skillsets of professionals. The goal is to align licensure with how CPAs will perform services in an increasingly technologically-driven environment. The group met four times and their conclusions will be made at the June 2019 Regional Meetings.

Renewals

On Jan 31, 2019, all individual license and firm permits with a Dec 31, 2018 expiration date that had not renewed incurred a \$100 late fee. Paper renewal forms and the late fee were mailed on Feb 1. Licensees who do not renew by June 30, 2019 will fully expire and the reinstatement process must be followed to bring the license back to Active status.

As of April 29, 2019	CPAs	Firms
Renewed Licenses	7488	1803
Expired Grace/Delinquent	295*	46

*28 have paid but unable to renew due to lack of CPE or PPT hold

CPE Audit

CPE Audit notices will be mailed (and emailed) on May 15th to roughly 540 licensees selected from the 2017-2018 renewal period. This represents 10% of licensees as required by Board policy.

CPE Reporting Requirements

A notice regarding the new requirement to upload a listing of CPE during the renewal process was sent out on Feb 13th and also posted to the website. This will also be highlighted in our upcoming newsletter.

State Specific Ethics Course

- Five (5) approved providers to date for 2019
- TSCPA course evaluations for 2018 were provided earlier this year and included many positive comments
- Our previous agreement with sponsors required them to stop offering their course after Jan 31st. This caused a period of time where we did not have a course because new content was not yet available. To alleviate this issue, we have revised the sponsor application to allow the sponsor to provide the previous year's content until new content is available, or until Jan 31st, whichever date is later. Per the MOU, TSCPA is required to deliver course materials to the Board for review, annually, within the first quarter of the calendar year.

TSCPA Activities

I attended the following TSCPA events since the last meeting.

- Legislative Reception – 2/12/19
- TSCPA Elk Valley Chapter Meeting – 2/25/19

New Licenses Issued

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	2017 Total
Individual Licenses	162	148	126	145	581
Firm Permits	23	15	20	14	72

	Q1 2018	Q2 2018	Q3 2018	Q4 2018	2018 Total
Individual Licenses	129	148	185	146	608
Firm Permits	21	4	30	22	77

	Q1 2019	Q2 2019	Q3 2019	Q4 2019	2019 Total
Individual Licenses	127				127
Firm Permits	16				16

Licensing – Overall Population

	Individual CPAs				
	Mar 2018	Jun 2018	Sept 2018	Dec 2018	Mar 2019
Active	10969	11055	11225	11613	11124
Closed	3410	3466	3470	3528	3569
Expired License	2613	2780	2772	2761	2750
Inactive	4135	4289	4301	4344	4264
Retired 65	1073	1069	1068	1067	1067
Expired Grace	331	2	0	0	310
Revoked	65	66	66	68	72
Retired	117	117	117	113	113
Disabled	49	51	50	51	51

Suspended	6	5	5	6	4
Active Military	4	4	4	2	4
Probation	0	0	0	0	0

	Firms				
	Mar 2018	Jun 2018	Sept 2018	Dec 2018	Mar 2019
Active	1885	1895	1908	1902	1828
Closed	2278	2300	2303	2331	2369
Expired Grace	65	0	0	0	54
Expired License	255	291	290	290	287
Revoked	20	21	21	21	22
Probation	0	0	0	0	0

Attachment B

May 2019 Legal Report

CONSENT AGENDA

1. 2018091281 (SH)

2018091641

First Licensed: N/A

Expiration: N/A

Type of License: N/A

History: N/A

Complainant claimed Respondent had problems with Respondent's tax services and would not return the Quickbooks account file. The complaint was filed by an employee of a bookkeeping firm on behalf of a client. The Complainant alleges that the Respondent refused to provide accounting records requested by the client. The Respondent previously provided services to the client referenced in the complaint. Since the Respondent is not a licensee, the Board has no jurisdiction over the matter.

Recommendation: Close.

Committee Recommendation: Concur.

Board Decision: Concur.

2. 2019007191 (SH)

First Licensed: 01/01/1960

Expiration: 12/31/2019

Type of License: Certified Public Accountant

History: N/A

Complainant alleges that Respondent failed to have an upfront charge conversation with Complainant before providing services. Complainant also complains of poor customer service and attitude.

Respondent states in their initial meeting they discussed estimated costs to prepare taxes and the hourly rate for other tax services. Respondent also states that Complainant was requesting certain things during the extended tax period in October which is a busy season and it took time to get back to them.

Any allegations related to fees are outside the jurisdiction of the Board.

Recommendation: Close.

Committee Recommendation: Concur.

Board Decision: Concur.

3. 2019015191 (SH)

First Licensed: N/A

Expiration: N/A

Type of License: N/A

History: N/A

Complainant states that Respondent is listed in a local publication listing of Largest Accounting Firms in Nashville, in a recent publication and online. The publication sends questionnaires to firms and the firms provide information back to the publication for their listing. Complainant alleges that Respondent has apparently provided that information every year since 2015. On Respondent's web page they appropriately do not refer to themselves as an accounting firm, but do say "While tax services are only a sideline at the national accounting firms, it's all we do. We offer strategic advantages that are unmatched by ordinary accounting and consulting firms."

Respondent states they are a global tax services firm in North America and provide only tax advisory services; no auditing is provided. Respondent states they have never held themselves out as an accounting firm. Further, Respondent states the publication has limited categories within which responding firms can identify within the type of industry. Although Respondent is not an accounting firm, or advertises as one, this type of industry identifier is the closest category provided by the publication.

Recommendation: Close.

Committee Recommendation: Concur.

Board Decision: Concur.

4. 2019000621 (SH)

First Licensed: 01/01/1960

Expiration: 12/31/2018 - REVOKED

Type of License: Certified Public Accountant

History: 2015 – One complaint closed with consent order and \$1,000 civil penalty for failure to comply with CPE Audit. 2018 – One complaint closed with letter of warning.

The complaint was filed by another licensee representing mutual clients. According to the Complainant, the Respondent failed to exercise due professional care in the engagement, failed to return the client's tax documents to them after multiple requests and is holding himself out as a CPA on a revoked license.

The Respondent denies the existence of a tax engagement. No engagement letter was issued and the Respondent did not bill the clients for services. He states that he only provided an extension request for the clients as a courtesy and did not bill them for his time. He had no intention of filing the federal or state tax returns for the clients as he was winding down his practice. The Respondent also denies receiving a request from the clients for their tax documents. The only request received was from the Complainant. Respondent did not release the documents to the Complainant due to client confidentiality concerns. Once the clients sent a formal request for the documents, they were mailed to them by the Respondent.

Allegations of holding client records appear to be mitigated by the fact that the client did not directly request the records. Records were requested by the Complainant, a third party. For client confidentiality reasons, it is appropriate for the Respondent to deny records requests from third parties without the permission of the client.

Respondent has taken steps to avoid misleading the public by holding himself as a CPA. He has removed signage containing "Certified Public Accountant" and shutdown his website with "CPA" references and discontinued use of an email address with the CPA designation for outgoing correspondence.

Recommendation: Close due to the lack of evidence supporting the allegations.

Committee Recommendation: Concur.

Board Decision: Concur.

5. 2019012331 (SH)

First Licensed: N/A

Expiration: N/A

Type of License: N/A

History: N/A

Complainant alleged that the Respondent was filing false complaints against them and was harassing the staff of Complainant. The Respondent denies the allegations of the complaint stating that only one complaint was filed with the Board on behalf of their client. According to the Respondent, the complaint was valid because the Respondent refused to release their client's financial records. The Respondent also alleged unethical behavior by the Complainant stating that the Complainant had submitted false service ratings to damage Respondent's reputation.

The validity of the complaint was not assessed since neither the Respondent nor the Complainant are licensees of the Board.

Recommendation: Close.

Committee Recommendation: Concur.

Board Decision: Concur.

6. 2019014041 (SH)

First Licensed: 08/17/2010

Expiration: 12/31/2019

Type of License: Certified Public Accountant

History: 2015 – One complaint closed with consent order and \$1,000 civil penalty for lack of due professional care in the service of a client.

The complaint alleges Respondent is assisting customers in the Arabic community with tax avoidance and tax fraud. Respondent stated that he provides tax services to individuals and businesses relating to state and federal taxes. Respondent also stated he does provide advice on legit avenues to reduce taxes that are within the boundaries of state and federal law.

Recommendation: Close.

Committee Recommendation: Concur.

Board Decision: Concur.

7. 2019019871 (SH)

First Licensed: 02/12/2008

Expiration: 12/31/2019

Type of License: Certified Public Accountant

History: N/A

Complainant states that Respondent has handled both personal as well as family trust taxes for a few years. Complainant was trying to get his CEO to meet with him to take over handling the taxes for our company, as the current CPA was not handling them properly. An appointment was scheduled for the CEO to meet with Respondent on February 21, 2019 and for reasons unknown, our CEO failed to make the meeting. Complainant called Respondent's office today as we had yet another issue with our current CPA, and said he would sign an engagement letter with Respondent as they were prepared to terminate services with the current CPA. At that time Complainant was told that due to the CEO not making the meeting that Respondent was not interested in doing business with Complainant's company. Furthermore, Respondent was dropping Complainant as a personal client. Complainant believes this is unprofessional.

Respondent believes that Complainant has misunderstood the conversation he had with his Administrative Assistant. Respondent states that since the CEO did not show he figured he was not

interested in making any changes to their company CPA. Respondent believes that a courtesy call or email should have been sent by the CEO for failing to show so he decided not to follow through with another appointment. This was explained to Respondent's Administrative Assistant. Respondent explains that when Complainant was informed that Respondent was not interested Complainant became very upset and going to contact the Chamber of Commerce and the Better Business Bureau. At no time did the Assistant discuss the situation concerning Complainant as a personal client. Respondent believes that Complainant has overreacted.

Recommendation: Close.

Committee Recommendation: Concur.

Board Decision: Concur.

8. 2018087831 (SH)

First Licensed: N/A

Expiration: N/A

Type of License: Certified Public Accountant

History: N/A

Complainant alleges the Respondent failed to exercise due professional care in the performance of tax services and is holding out as a CPA without a valid license. Complainant, a former client of the Respondent, alleges Respondent failed to properly e-file his 2016 income tax return with the IRS. Despite having paid for the Respondent's services, the tax return was never filed. The Complainant also alleges that the Respondent told him she was a CPA when not licensed in the state of Tennessee. In addition, Complainant states that the Respondent is misleading the public by using the title "Accountant" on her firm's Facebook page.

The Respondent denied all allegations of the complaint. Respondent states that her firm does not have an active Facebook page and never told the Complainant that she was a licensed CPA. In regard to the 2016 income tax return in question, Respondent states that she made a good faith effort to file the return but it was rejected due to a name control issue. After multiple attempts to resolve the matter, without the cooperation of Complainant, Respondent informed the Complainant he would have to resolve the matter with the IRS directly.

Any allegations related to failure to exercise due professional care are outside the jurisdiction of the Board for a NON-licensee. Definitive evidence was not found to support claims that the Respondent was holding out as a CPA to the Complainant or the public at large.

Recommendation: Close.

Committee Recommendation: Concur.

Board Decision: Concur.

9. 2019015891 (SH)

First Licensed: 06/08/1988

Expiration: 12/31/2020

Type of License: Certified Public Accountant

History: N/A

Complainant alleges he has paid Respondent the same amount of money to do his taxes for the past 3 years. This previous year Complainant received an invoice in the mail for approximately double the amount usually charged. Complainant feels misled and misguided.

Respondent states that Complainant's tax return was significantly different in 2017 than 2016 due to purchasing investment property. More time was consumed in determining expenses and depreciations as well as preparing documents.

Any allegation related to fees is outside the jurisdiction of the Board.

Recommendation: Close.

Committee Recommendation: Concur.

Board Decision: Concur.

10. 2019008921 (SH)

First Licensed: 01/01/1993

Expiration: 12/31/2019

Type of License: Registered Accounting Firm

History: N/A

Respondent firm self-reported a disciplinary matter involving the Securities and Exchange Commission (SEC). The matter involved the firm and two partners. Respondent agreed to orders of violations regarding an audit however neither admitting nor denying the actions. Terms including paying fines and denial of SEC practice rights up to 3 years, in which the partners may apply for reinstatement.

Our investigator researched the report and found no evidence that these violations involved the Tennessee offices of Respondent. Most of the issues identified appear to be related to an engagement completed by the firm's Chicago and New York offices. No Tennessee licensees were involved.

Recommendation: Issue Letter of Caution to exercise due care in accounting practices in Tennessee.

Committee Recommendation: Concur.

Board Decision: Concur.

11. 2019008931 (SH)

First Licensed: 01/09/2001

Expiration: 12/31/2019

Type of License: Registered Accounting Firm

History: N/A

Respondent firm self-reported a disciplinary matter involving the Securities and Exchange Commission (SEC). The matter involved the firm and two partners. Respondent agreed to orders of violations regarding an audit however neither admitting nor denying the actions. Terms including paying fines and denial of SEC practice rights up to 3 years, in which the partners may apply for reinstatement.

Our investigator researched the report and found no evidence that these violations involved the Tennessee offices of Respondent. Most of the issues identified appear to be related to an engagement completed by the firm's Chicago and New York offices of Respondent. No Tennessee licensees were involved.

Recommendation: Issue Letter of Caution to exercise due care in accounting practices in Tennessee.

Committee Recommendation: Concur.

Board Decision: Concur.

PROPOSED DISCIPLINE

12. 2018086361 (SH)

First Licensed: 07/25/2000

Expiration: 12/31/2019

Type of License: Certified Public Accountant

History: 2004 – Competency/Lack of Due Care

A complaint was opened internally after receiving notification that Respondent's membership with the AICPA had been suspended and a settlement agreement with the AICPA Ethic's Charging Authority and the Tennessee Society of CPAs ("Agreement") had been executed. Respondent's membership privileges and professional activities were suspended for two years ending on June 18, 2020. Discipline was assessed due to evidence of multiple violations of auditing standards, GAAP and GASB reporting requirements on two governmental audits. The West Virginia State Board also assessed discipline suspending the Respondent's attest and compilation privileges in the state. The West Virginia State Board's discipline was not reported by the Respondent to the Tennessee Board.

Respondent acknowledges disciplinary actions and states that his firm no longer provides attest or compilation services in any state. Respondent states that he did not report these matters to Tennessee because he assumed the matter would be referred by the West Virginia Board.

Recommendation: Authorize Consent Order placing Respondent's CPA and any firm licenses on probation requiring Respondent to report any violations of the Agreement. Additionally, Respondent would not be allowed to perform attest work while under probation and shall complete an Exemption Form within 30 days. Probation shall be lifted upon documentation from Respondent that he has complied fully with the AICPA Ethics Agreement on or after June 18, 2020. As to failure to report the discipline, given the Respondent's confusion around the reporting requirement, it is recommended no disciplinary action for this violation.

Committee Recommendation: Concur.

Board Decision: Concur.

13. 2019010621 (SH)

First Licensed: 04/07/1994

Expiration: 12/31/2020

Type of License: Certified Public Accountant

History: N/A

The Board of Licensing Contractors provided us with a review report issued by Respondent and asked us to assist in license verification. While providing this service it was noted that Respondent holds a CPA license but does not appear to hold a registered firm permit. Mr. Dow does not appear to have enrolled in a peer review program. Firm registration and peer review enrollment are required of those providing attest services.

Respondent states that when he was first approached by the individual applying for a contractor license he reviewed the requirements for the financial statement in the application information. It stated "CPA or Firm" which was not clear to Respondent so he called the Board of Licensing Contractors. Respondent told the Board that he was a CPA but not registered as a firm. Respondent states that the Board said it was OK to prepare the financial statement and attestation, since it was not an audit.

Respondent admits it was his first time to provide a review engagement and was obviously mistaken to do so without enrollment. Respondent has contacted the individual and returned the fee paid for the service. Respondent has been a CPA since 1994 with no prior complaints to the Board.

Recommendation: Authorize a formal hearing with the authority to settle via Consent Order upon the Respondent's payment of a civil penalty in the amount of \$750 for failure to enroll in peer review. The

Respondent shall also provide proof of enrollment in an approved peer review program or an exemption form within 30 days.

Committee Recommendation: Concur.

Board Decision: Concur.

14. 2019013921 (SH)

First Licensed: 04/27/1995

Expiration: 12/31/2019

Type of License: Registered Accounting Firm

History: N/A

An anonymous complaint included screenshots of Respondent's website and an audit report that appears to have been issued by Respondent's firm on April 29, 2018. Upon review of our licensing database, it appears Respondent holds an individual CPA license and CPA firm permit. Issuance of attest work, including audits, requires the firm to be enrolled in an approved peer review program and to have a peer review performed once every three years. Respondent's firm is not enrolled in an approved peer review program. Upon review of the Respondent's most recent firm permit renewal, the firm noted that it had not completed any attest work during the 2018 calendar year.

Respondent admits that the December 2017 audit is from his firm and has his name on it. Respondent, at almost 80 years old, states that he informed all of his clients in October 2018 that he no longer provides audits. As a mitigating factor, Respondent has been a CPA since 1971 without any complaints filed with this Board.

Recommendation: Authorize a formal hearing with the authority to settle via Consent Order upon the Respondent's payment of a civil penalty in the amount of \$3,000 for failure to enroll in peer review. The Respondent shall also provide proof of enrollment in an approved peer review program or an exemption form within 30 days.

Committee Recommendation: Concur.

Board Decision: Concur.

15. 2018078851 (SH)

First Licensed: 06/03/1991

Expiration: 12/31/2019

Type of License: Certified Public Accountant

History: N/A

A complaint was filed by the Board against the Respondent after receiving notification that the Respondent's firm had been terminated from the AICPA Peer Review Program on Sept 24, 2018 for failure to cooperate. The firm did not complete corrective actions designed to remediate deficiencies identified in their most recent peer review. The firm permit, under the Respondent's same name, is currently in expired status (expired 12/31/17) with the State of Tennessee so the complaint was filed against the owner's individual license. Respondent failed to initially respond to the complaint.

Upon investigation, Respondent states that his failure to cooperate was related to a series of personal challenges he faced beginning in late 2016 through 2018. Respondent lost several family members during this time period but was devastated after losing his son to a car accident in March 2018. His work performance suffered tremendously during this time period as his interest and attention to his firm deteriorated.

The Respondent has expressed an interest in re-enrolling in peer review and reinstating his firm permit for tax, review and compilation engagements only. However, Respondent has no desire to offer audit services to clients in the future and may be resistant to taking the corrective actions required by the peer review committee related to audit engagements. Respondent is willing and able to take the necessary actions to ensure compliance with professional requirements going forward. Respondent has never had a complaint filed with the Board since 1991.

Recommendation: Given the personal challenges faced by the Respondent, especially in terms of the death of his son, and his willingness to cooperate in our investigation, it is recommended no action for not responding to this complaint.

Discipline is recommended for the failure to comply with peer review requirements. Due to mitigating circumstances, authorize a civil penalty of \$1000 with proof of reinstatement in the peer review program and reinstatement of his firm permit within 180 days of the executed Consent Order. Or in the alternative that Respondent does not want to continue with attest services, a civil penalty of \$1,500 with a signed exemption form to the Board that the firm will no longer provide attest engagements.

Committee Recommendation: Concur.

Board Decision: Concur.

16. 2019012151 (SH)

First Licensed: 05/06/1994

Expiration: 12/31/2019

Type of License: Certified Public Accountant

History: N/A

Respondent was selected for audit of 2016-2017 CPE credits. Respondent timely responded to the audit on May 31, 2018, and provided confirmation of 30 credits earned in 2016 and 3 credits earned in 2017, incurring 32 penalty hours for failing to meet the following requirements: 80 total hours, the yearly minimum for 2017, minimum of 40 technical credits, and two hours of state-specific ethics. The resulting CPE requirement was therefore 112 hours (80 hours for the 2016-2017 reporting period plus 32 penalty hours). Two extensions were granted Respondent's request, assigning a final deadline of January 3, 2019. According to the records on file, Respondent has to date 29 credit hours remaining.

Respondent states that in the last two years she was the primary caretaker of her sick mother after her husband became disabled until her mother's passing in early 2018. Also during this time, Respondent's health began to fail and both of her knees needed a replacement. Respondent continued to work, sometimes at night while taking care of two sick people to the point of exhaustion. Respondent's husband had yet another surgery and needed additional care during 2018 and her knees continued to worsen. Respondent had the first of two knees surgeries on November 26, 2018. The doctor replaced her left knee and received home health therapy instead of regular therapy because Respondent could barely walk, requiring the use of a walker. Respondent was primarily bed ridden due to her weak right knee and could only go to the doctor's office with a driver. Respondent was on very strong pain killers making her sleepy and incoherent. Respondent thought she would be able to lie in bed and do online CPE courses however Respondent was unable to complete due to strong medication.

Recommendation: Authorize civil penalty of \$500 due to mitigating circumstances plus the remaining 29 hours for 2016-2017 to be completed within 90 days. These hours cannot be used to meet the current reporting period requirements.

Committee Recommendation: Concur.

Board Decision: Concur.

17. 2018078861 (SH)

First Licensed: 07/19/2012

Expiration: 12/31/2018

Type of License: Registered Accounting Firm

History: 2016 – One complaint closed with no action; 2012 – Minority non-CPA owner disciplined for unlicensed practice

A complaint was filed by the Board against the Respondent firm for the completion of a review engagement (Oct 10, 2018) without enrollment in an approved peer review program. The major owner of this firm is a CPA; however, there's also a minority owner who is not a CPA. The CPA owner states that he was unaware that the report in question was issued until the complaint was received. His partner never advised him of any attest work performed by the firm. It was his understanding that the firm only provided tax services and CPA owner cannot confirm if this was the only attest work

completed by the firm. Per the CPA owner, any attest work completed by the CPA owner was issued by his individual firm and not the Respondent firm. The non-CPA owner is battling a terminal cancer diagnosis and the two individuals do not plan on renewing the Respondent firm permit.

A companion complaint (Complaint #2018078851) was filed against the majority owner of Respondent firm for being terminated from the peer review program.

The Respondent firm no longer has an active license and disciplinary action for these circumstances have been issued against the Respondent individual in Complaint #2018078851.

Recommendation: Authorize an Order for the firm to rescind the report issued to the Board of Contractors in writing. The Respondent should also provide a listing of all attest and compilation engagements issued by the firm since its inception along with proof of notification to the clients involved of the Respondent's unlicensed activity and rescission of those reports. These actions should be taken within six (6) months of the executed Consent Order. Failure to comply with the Order could result in further disciplinary action against Respondent individual, up to and including revocation of his individual license.

Committee Recommendation: Concur.

Board Decision: Concur.

18. 2019015131 (SH)

First Licensed: 7/14/1999

Expiration: 12/31/2019

Type of License: Certified Public Accountant

History: N/A

The TN Contractor's Board received a Review report in connection with a Contractor's license application submitted by Respondent. Respondent holds an individual license and firm permit in Florida and with such is able to practice in TN without obtaining reciprocal licenses here. However, while practicing in TN Respondent must adhere to the laws and rules of this state. TN requires all firms performing attest work, to be enrolled in an approved peer review program.

Respondent was unaware that peer review was a requirement for the issuance of Review work in TN, as it is not a requirement in FL. It was explained to Respondent that he could go ahead and enroll in the peer review program and work on scheduling a peer review or retract the Review report in writing and refer the client to another qualified CPA. Respondent has not responded as to his decision.

Recommendation: Authorize a formal hearing with the authority to settle via Consent Order upon the Respondent's payment of a civil penalty in the amount of \$750 for failure to enroll in peer review. The

Respondent shall also provide proof of enrollment in an approved peer review program or an exemption form within 30 days.

Committee Recommendation: Concur.

Board Decision: Concur.

19. 2018070351 ("Respondent CPA") (SH)
First Licensed: 10/21/2013
Expiration: 12/31/2019
Type of License: Certified Public Accountant
History: N/A

2018070361 ("Respondent Firm")
First Licensed: 01/01/1993
Expiration: 12/31/2018
Type of License: Registered Accounting Firm
History: 2016 – Letter of Caution for being disciplined in another state.

Respondent CPA and Respondent Firm were disciplined by the Securities and Exchange Commission for multiple failures related to Respondent CPA and Respondent Firm's conduct in relation to an audit of an oil and gas company. The Order was entered on August 15, 2017. Respondent CPA was barred from practicing before the SEC for two years, after which he could apply for reinstatement. Respondent CPA also had to pay a civil penalty in the amount of \$25,000. Respondent Firm was censured, ordered to repay certain monies related to the engagement, and pay a substantial civil penalty. Additionally, Respondent Firm had to conduct an internal quality control review, report its findings, and engage in training and procedure creation to prevent future issues. The Order came as a result of a settlement in which the parties neither admitted nor denied the facts.

Board's counsel and representatives along with Board member Kevin Monroe offered to conduct an informal conference with the Respondents. The offer was well received; all parties and their respective representatives discussed the SEC agreements and penalties. The Respondents were notified of the options the Board may pursue. Board's representatives appreciated that the Respondents took positive actions to meet. After a detailed and positive discussion by all parties concerned, it is believed that a fair resolve was reached. Further, the discipline assessed by the SEC was significant and covers all disciplinary actions that this Board could assess against Respondents to completely protect the public.

Recommendation: Authorize a Consent Order wherein Respondent CPA shall comply with all terms of the SEC Order. Further, Respondent CPA shall be placed on probation for one year or until his SEC practice rights are reinstated, whichever occurs first. It should be noted that probation will not affect the ability of Respondent CPA to practice under his license however will be a heightened level of

oversight and a higher scrutiny of adherence to the laws, rules and any Order entered against Respondent CPA.

Authorize a Consent Order wherein Respondent Firm shall acknowledge the violations and comply with the SEC Order. Further, Respondent Firm shall provide the Board with a simultaneous copy of the Annual Certification as identified in Paragraph 112 of the SEC Order (verification of reviewing and evaluating Respondent Firm's assessment and testing process).

Committee Recommendation: Concur.

Board Decision: Concur.

REPRESENTATIONS

20. 2018019341 (SH)

First Licensed: 10/21/1994

Expiration: 12/31/2019

Type of License: Registered Accounting Firm

History: 2016 – \$1,500 Consent Order for conducting attest work on an expired firm permit. Resulted in revocation due to non-payment. Board reinstated license upon application.

Respondent was terminated from peer review program for failure to correct deficiencies after consecutive corrective actions were required on the same peer review. Respondent responded to state that she understood what the issues were, and claimed they were tied back to previously undiagnosed sleep apnea that affected her ability to stay awake and focused. Respondent was terminated from peer review in March 2018. Respondent identified sleep apnea as the reason for her failure to comply with her 2016 Consent Order at her July 2017 reinstatement hearing before the Board. Respondent claims she is working to get reinstated in the program since she wants to continue to conduct audits.

Recommendation: Respondent shall submit proof she has re-enrolled in peer review and addressed the pending peer review still awaiting compliance. Proof of the enrollment shall be submitted within 180 days. Failure to comply with the above terms shall result in revocation of Respondent's firm and CPA licenses.

Board Decision: Approved

Update: Respondent did not re-enroll in the peer review program before the 180 day deadline which would have been 2/6/2019. Instead, on 1/23/2019 Respondent signed a Modification of Consent Order stating Respondent was no longer required to enroll and would sign an exemption form. Said Modification was to be presented to this Board in its January meeting for approval however it was not.

New Recommendation: Authorize Modification of Consent Order and issue a civil penalty in the amount of \$2,000 for failure to comply with peer review and based on history of Respondent.

New Committee Decision: Concur.

New Board Decision: Concur.

21. 2018005671 (SH)

First Licensed: 10/11/1996

Expiration: 12/31/2020

Type of License: Certified Public Accountant

History: 2005 Consent Order

A complaint was filed by the Board of Licensing Contractors against the Respondent who holds a CPA license for preparing a review opinion, but is not associated with a firm and there was no evidence of peer review enrollment found. Respondent admits to preparing the review opinion and that he is not enrolled in peer review. The Respondent also stated this was an isolated situation and no other review opinions were prepared.

Recommendation: Authorize a formal hearing for the maximum penalty with the authority to settle via Consent Order upon Respondent's payment of a civil penalty in the amount of \$3,000 for failure to enroll in peer review or submit proof of enrollment in an approved peer review program or submit an exemption form to the Board within 30 days.

Board Decision: CONCUR

Update: After a consistency review it is recommended that the civil penalty be reduced to \$1,000 based on the penalty guidelines. The Respondent states this was an isolated incident and primarily focuses on tax preparation and Quickbooks consulting.

New Recommendation: Authorize a formal hearing with the authority to settle via Consent Order upon the Respondent's payment of a civil penalty in the amount of \$1,000 for failure to enroll in peer review. The Respondent shall also provide an exemption form within 30 days.

New Committee Decision: Concur.

New Board Decision: Concur.

DISCUSSION

22. 2018041531 (SH)

First Licensed: N/A

Expiration: N/A

Type of License: N/A

History: N/A

This complaint was opened internally to check on Respondent's use of the designation, "CPA." Respondent works exclusively as a real estate agent in Tennessee but holds an active CPA license in Virginia. Respondent states he does not offer any accounting services that require a Tennessee CPA. Respondent states on his website that he is a licensed CPA but does not specify a State.

An analysis of the laws and rules was conducted and determined that the Act's definition of "certificate" implies that an out-of-state licensee may utilize the title "CPA" in Tennessee without holding a Tennessee CPA license.

Under T.C.A. 62-1-103, the definition of "certificate" reads:

(3) "Certificate" means a certificate as certified public accountant issued under §§ 62-1-106 and 62-1-107 or corresponding provisions of prior law, or a corresponding certificate as certified public accountant issues after examination under the law of any other state;

The bolded clause of the definition implies that an individual with a valid certificate from another state may refer to themselves as CPAs; however, the definition of "certified public accountant" is also defined as:

(4) "Certified public accountant (CPA)" means a person holding a certificate issued under §§ 62-1-106 and 62-1-107;

Further, researching § 62-1-113(c), the plain language of this statute was ascertained with the definitions substituted in for the terms as follows:

No person not holding a valid certificate as certified public accountant issued under §§ 62-1-106 and 62-1-107 or corresponding provisions of prior law, or a corresponding certificate as certified public accountant issues after examination under the law of any other state shall use or assume the title "certified public accountant" which means a person holding a certificate issued under §§ 62-1-106 and 62-1-107, or the abbreviation "CPA" or any other title, designation, words, letters, abbreviation, sign, card or device tending to indicate that the person is a certified public accountant.

Therefore, reading the statute and giving all words their meaning, it can be interpreted by the plain language that an out-of-state licensee may utilize the CPA designation in the State of Tennessee as long as the licensee is not offering or providing attest or professional services.

Recommendation: Close.

Committee Recommendation: Concur.

Board Decision: Concur.

Attachment C

Department of State

Division of Publications

312 Rosa L. Parks Ave., 8th Floor, Snodgrass/TN Tower

Nashville, TN 37243

Phone: 615-741-2650

Email: publications.information@tn.gov

For Department of State Use Only

Sequence Number: _____

Rule ID(s): _____

File Date: _____

Effective Date: _____

Proposed Rule(s) Filing Form Redline

Proposed rules are submitted pursuant to Tenn. Code Ann. §§ 4-5-202, 4-5-207, and 4-5-229 in lieu of a rulemaking hearing. It is the intent of the Agency to promulgate these rules without a rulemaking hearing unless a petition requesting such hearing is filed within ninety (90) days of the filing of the proposed rule with the Secretary of State. To be effective, the petition must be filed with the Agency and be signed by ten (10) persons who will be affected by the amendments, or submitted by a municipality which will be affected by the amendments, or an association of ten (10) or more members, or any standing committee of the General Assembly. The agency shall forward such petition to the Secretary of State.

Pursuant to Tenn. Code Ann. § 4-5-229, any new fee or fee increase promulgated by state agency rule shall take effect on July 1, following the expiration of the ninety (90) day period as provided in § 4-5-207. This section shall not apply to rules that implement new fees or fee increases that are promulgated as emergency rules pursuant to § 4-5-208(a) and to subsequent rules that make permanent such emergency rules, as amended during the rulemaking process. In addition, this section shall not apply to state agencies that did not, during the preceding two (2) fiscal years, collect fees in an amount sufficient to pay the cost of operating the board, commission or entity in accordance with § 4-29-121(b).

Agency/Board/Commission:	Tennessee State Board of Accountancy
Division:	Department of Commerce and Insurance Regulatory Boards Division
Contact Person:	Maria P. Bush
Address:	500 James Robertson Parkway, Nashville, TN
Zip:	37243
Phone:	615-741-3072
Email:	maria.p.bush@tn.gov

Revision Type (check all that apply):

- Amendment
 New
 Repeal

Rule(s) (ALL chapters and rules contained in filing must be listed here. If needed, copy and paste additional tables to accommodate multiple chapters. Please make sure that **ALL** new rule and repealed rule numbers are listed in the chart below. Please enter only **ONE** Rule Number/Rule Title per row)

Chapter Number	Chapter Title
0020-01	Licensing and Registration Requirements
Rule Number	Rule Title
0020-01-.06	Examinations

Tennessee State Board of Accountancy
Chapter 0020-01
Licensing and Registration Requirements
Amendments

Rule 0020-01-.06 is amended by changing 0020-01-.06(6)(a)(2) into sub parts (A) and (B) under 0020-01-.06(6)(a)(1). F

- (1) The examination required by T.C.A. § 62-1-106(d) shall test the knowledge and skills required for performance as an entry-level certified public accountant. The examination shall include the subject areas of accounting and auditing and related knowledge and skills as the Board may require.
- (2) Eligible candidates shall be notified of the time and place of the examination or shall independently contact the Board, or its designee, or a test center operator identified by the Board to schedule the time and place for the examination at an approved test site. Scheduling reexaminations must be made in accordance with ~~(7)(a)(2)~~ (6)(a) below.
- (3) The Board shall cause the examination for certification to be graded by the AICPA. The Board may recognize the grades assigned by the AICPA. Applicants may request a grade review if the Board permits such, and the applicant pays whatever administrative charges that are assessed for a grade review.
- (4) A candidate shall be required to pass all test sections of the examination provided for in T.C.A. § 62-1-106(d) in order to qualify for a certificate. The uniform passing grade shall be established through a psychometrically acceptable standard-setting procedure and approved by the Board.
- (5) The notification given to the exam candidate regarding the grades and requirements that the candidate must achieve to pass a particular exam shall govern the grading of that exam.
- (6) The following shall apply to the computer-based Uniform CPA Examination:
 - (a) Candidates may take the required test sections individually and in any order. Credit for any test section(s) passed shall be valid for a period of eighteen (18) months and be calculated from the actual date the Candidate took that Test Section, six (6) three month exam cycles, without having to attain a minimum score on any failed test section(s) and without regard to whether the candidate has taken the remaining test sections.
 1. Candidates must pass all required four (4) test sections of the Uniform CPA Examination within a rolling eighteen (18) month period, which begins on the date that the first Test Section(s) passed is taken the next ~~six (6) three month exam cycles.~~
 - ~~2. (A)~~ (A) Candidates cannot retake a failed test section(s) in the same examination window. An examination window refers to a three-month cycle in which candidates have an opportunity to take the CPA examination, ~~(comprised of two (2) months in which the examination is available to be taken and one (1) month in which the examination will not be offered while routine maintenance is performed and the item bank is refreshed).~~ Candidates may take the examination for ~~two (2) out of the three (3) months within an examination window.~~
 - (B) Notwithstanding subpart (6)(a)(1)(A), the Board may allow a candidate to test within a continuous eighteen (18) month period without a three (3) month window restriction and accept

such in order to be in substantial equivalence with other jurisdictions for the benefit of the applicant.

- 3-2. In the event a candidate does not pass all ~~four (4)~~ required test sections of the Uniform CPA Examination within the ~~next six (6) three month cycles~~ eighteen (18) months, credit for any test section(s) passed outside the ~~six (6) three month cycles~~ eighteen (18) months will expire and that test section(s) must be retaken.
- (b) A candidate shall retain credit for any and all test sections of an examination passed in another state if such credit would have been given, under then applicable requirements, if the candidate had taken the examination in this state.
 - (c) The Board may in particular cases extend the term of conditional credit notwithstanding the requirements of these rules, upon a showing that the credit was lost by reason of circumstances beyond the candidate's control.
 - (d) A candidate shall be deemed to have passed the Uniform CPA Examination once the candidate holds at the same time valid credit for passing each of the ~~four (4)~~ required test sections of the examination. For purposes of this section, credit for passing a test section of the computer based examination is valid from the actual date of the testing event for that test section, regardless of the date the candidate actually receives notice of the passing grade.
- (7) An applicant may be required to pass an examination covering the rules of ethics and professional conduct promulgated by the Board. Such examination may be part of the examination required in T.C.A. § 62-1-106(d) or may be a separate examination.
 - (8) The Board may provide for a third party administering the examination to charge each applicant a fee for each section of the examination or reexamination taken by the applicant.
 - (9) The candidate shall schedule each test section with the Board or its designee and pay a candidate testing fee that includes the actual fees charged by the AICPA, NASBA, and the Test Delivery Service Provider.
 - (10) Notwithstanding any other provisions under these rules, the Board may postpone scheduled examinations, release of grades, or the issuance of certificates due to a breach of examination security, unauthorized acquisition or disclosure of the contents of an examination, suspected or actual negligence, errors, omissions, or irregularities in conducting an examination, or for any other reasonable cause or unforeseen circumstance.
 - (11) All CPA Exam scores shall expire ten (10) years after the first passing score is earned. However, upon written request by the applicant, the Board may, in its sole discretion, grant an extension of the score expiration date for good cause shown.
 - (12) Candidates who have been ordered to military service shall receive an automatic extension on any CPA examination credits, in order to complete the examination requirements of paragraph (6) of this rule, for the length of time that the candidate was ordered to military service.

Authority: T.C.A. §§ 62-1-105 and 62-1-106. **Administrative History:** Original rule filed June 9, 1981; effective August 17, 1981. Amendment filed June 3, 1983; effective July 5, 1983. Amendment filed April 20, 1994; effective July 4, 1994. Repeal and new rule filed June 10, 1999; effective August 24, 1999. Amendment filed January 24, 2003; effective April 9, 2003. Amendment filed October 17, 2003; effective December 31, 2003. Amendment filed August 15, 2006; effective October 29, 2006. Amendment filed March 26, 2012; effective June 24, 2012. Amendment filed December 11, 2013; effective March 11, 2014. Amendments filed October 28, 2016; effective January 26, 2017

* If a roll-call vote was necessary, the vote by the Agency on these rules was as follows:

Board Member	Aye	No	Abstain	Absent	Signature (if required)
Casey M. Stuart, CPA					
Stephen E. Eldridge, CPA					
Gay Moon, CPA					
Jack A. Bonner, Jr., CPA					
Janet Booker-Davis, CPA					
Pamela Church, CPA					
Larry Elmore, CPA					
Kevin Monroe, CPA					
John G. (Gabe) Roberts					
William (Trey) H. Watkins, III, CPA					
Judy Wetherbee					

I certify that this is an accurate and complete copy of proposed rules, lawfully promulgated and adopted by the Tennessee State Board of Accountancy on _____ (date as mm/dd/yyyy), and is in compliance with the provisions of T.C.A. § 4-5-222. The Secretary of State is hereby instructed that, in the absence of a petition for proposed rules being filed under the conditions set out herein and in the locations described, he is to treat the proposed rules as being placed on file in his office as rules at the expiration of ninety (90) days of the filing of the proposed rule with the Secretary of State.

Date: _____

Signature: _____

Name of Officer: Maria P. Bush

Title of Officer: Assistant General Counsel

Subscribed and sworn to before me on: _____

Notary Public Signature: _____

My commission expires on: _____

Agency/Board/Commission: _____

Rule Chapter Number(s): _____

All proposed rules provided for herein have been examined by the Attorney General and Reporter of the State of Tennessee and are approved as to legality pursuant to the provisions of the Administrative Procedures Act, Tennessee Code Annotated, Title 4, Chapter 5.

Herbert H. Slatery III
Attorney General and Reporter

Date

Department of State Use Only

Filed with the Department of State on: _____

Effective on: _____

Tre Hargett
Secretary of State

Regulatory Flexibility Addendum

Pursuant to T.C.A. §§ 4-5-401 through 4-5-404, prior to initiating the rule making process, all agencies shall conduct a review of whether a proposed rule or rule affects small business.

(1) The type or types of small business and an identification and estimate of the number of small businesses subject to the proposed rule that would bear the cost of, or directly benefit from the proposed rule.

The Tennessee State Board of Accountancy ("Board") governs over 2,000 registered firms. While a vast majority of those firms are small businesses, they will neither bear the cost of nor directly benefit from the proposed amendments to Rule 0020-01-.06.

(2) The projected reporting, recordkeeping and other administrative costs required for compliance with the proposed rule, including the type of professional skills necessary for preparation of the report or record.

The proposed amendments to Rule 0020-01-.06 will not impose any additional reporting, recordkeeping, nor other administrative costs required for compliance. All applicants, without exception, must comply with CPA Examination requirements.

(3) A statement of the probable effect on impacted small businesses and consumers.

The amendments to Rule 0020-01-.06 will likely not have any negative effect on small businesses and consumers.

(4) A description of any less burdensome, less intrusive or less costly alternative methods of achieving the purpose and objectives of the proposed rule that may exist, and to what extent the alternative means might be less burdensome to small business.

The Board avers that the proposed amendments to Rules 0020-01-.06 are not burdensome, intrusive, or costly to small businesses.

(5) A comparison of the proposed rule with any federal or state counterparts.

There are no known federal or state counterparts to the rules.

(6) Analysis of the effect of the possible exemption of small businesses from all or any part of the requirements contained in the proposed rule.

Exemption from Rule 0020-01-.06 would not benefit small businesses because all applicants, even those working for a small business, must complete the CPA Examination. The proposed amendments do not impose any new requirements on small businesses. Rather, the proposed amendments only streamline the standard by which testing is conducted putting Tennessee's standards in congruence with the national trend.

Impact on Local Governments

Pursuant to T.C.A. §§ 4-5-220 and 4-5-228 "any rule proposed to be promulgated shall state in a simple declarative sentence, without additional comments on the merits of the policy of the rules or regulation, whether the rule or regulation may have a projected impact on local governments." (See Public Chapter Number 1070 (<http://publications.tnsosfiles.com/acts/106/pub/pc1070.pdf>) of the 2010 Session of the General Assembly)

This rule will not have a projected impact on local governments.

Additional Information Required by Joint Government Operations Committee

All agencies, upon filing a rule, must also submit the following pursuant to T.C.A. § 4-5-226(i)(1).

- (A) A brief summary of the rule and a description of all relevant changes in previous regulations effectuated by such rule;

The amendments to Rule 0020-01-.06 offer a restructured schedule for candidates to take the CPA exam. The former rule provided that a candidate had six, three month exam cycles to pass the required test sections. The amendments change this requirement to a rolling eighteen month period. This change will eliminate the rigid cut off time for a candidate to attempt to pass the required test sections. Further, this amendment will eliminate the prohibition against retaking a failed test section in the same test window.

- (B) A citation to and brief description of any federal law or regulation or any state law or regulation mandating promulgation of such rule or establishing guidelines relevant thereto;

There are no known federal laws or regulations mandating promulgation of these rules. T.C.A. 62-1-105(e) authorizes the Board to adopt rules to enforce the Tennessee Accountancy Act of 1998.

- (C) Identification of persons, organizations, corporations or governmental entities most directly affected by this rule, and whether those persons, organizations, corporations or governmental entities urge adoption or rejection of this rule;

The proposed amendments to Rule 0020-01-.06 will impact all applicants who are applying to sit for the CPA Examination. Their position, however, is unknown to the Board. NASBA, the AICPA, and the TSCPA, the largest CPA professional organizations, are in support of this rule package.

- (D) Identification of any opinions of the attorney general and reporter or any judicial ruling that directly relates to the rule or the necessity to promulgate the rule;

There are no known attorney general opinions or judicial rulings that directly relate to these rules.

- (E) An estimate of the probable increase or decrease in state and local government revenues and expenditures, if any, resulting from the promulgation of this rule, and assumptions and reasoning upon which the estimate is based. An agency shall not state that the fiscal impact is minimal if the fiscal impact is more than two percent (2%) of the agency's annual budget or five hundred thousand dollars (\$500,000), whichever is less;

These rules are not expected to have an increase or decrease in state and local government revenues and expenditures.

- (F) Identification of the appropriate agency representative or representatives, possessing substantial knowledge and understanding of the rule;

Wendy Garvin – Executive Director of the Tennessee State Board of Accountancy

Anthony Glandorf – Chief Counsel
TN Department of Commerce and Insurance

Maria P. Bush – Assistant General Counsel
TN Department of Commerce and Insurance

- (G) Identification of the appropriate agency representative or representatives who will explain the rule at a scheduled meeting of the committees;

Wendy Garvin – Executive Director of the Tennessee State Board of Accountancy

Anthony Glandorf – Chief Counsel
TN Department of Commerce and Insurance

Maria P. Bush – Assistant General Counsel
TN Department of Commerce and Insurance

(H) Office address, telephone number, and email address of the agency representative or representatives who will explain the rule at a scheduled meeting of the committees; and

Wendy Garvin – Executive Director of the Tennessee State Board of Accountancy
500 James Robertson Parkway
Nashville, Tennessee 37243
(615) 741-2550,
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Anthony Glandorf – Chief Counsel
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Maria P. Bush – Assistant General Counsel
500 James Robertson Parkway
Nashville, TN 37243
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maria.p.bush@tn.gov

(I) Any additional information relevant to the rule proposed for continuation that the committee requests.

None.